

STATEMENT OF GOVERNOR HALEY BARBOUR
ON FISCAL YEAR 2007 BUDGET

The Governor supports the budget plan which has been developed for FY 07. While it increases overall spending by a little more than the Governor recommended, the House and Senate leadership worked closely with our office to significantly increase funding for higher education (\$100 million plus health insurance and retirement), provide a responsible pay raise for state employees, increase funding for K-12 by a sustainable amount, while restoring the principal of the 2% set aside. A major accomplishment of this budget is the appropriation of nearly \$270 million into a special fund to pay the state's share of the non-federal match for rebuilding South Mississippi after Katrina. In addition, the Governor is pleased the budget funds the Department of Corrections, the Division of Medicaid, and debt service, which have been historically under-funded (setting up pre-planned deficits), at appropriate levels.

While our office has not had the opportunity to read the fine print of every bill, and therefore reserves judgment on some bills, the bottom line number is acceptable to the Governor.

Summary of the Modified Executive Budget Recommendation
Prepared by the Office of the Governor

- Meets the Governor's guidelines for the FY 07 budget:
 - Sets aside into a "rainy day fund" 2% of the available General Fund revenue
 - An honest budget with no pre-planned deficits
 - Increases funding for K-12 education, universities and community colleges
 - Provides a state employee pay raise plan that sets a minimum across the board pay raise of \$1200 and phases in the realignment recommendations of the State Personnel Board over two years
 - No raids on special fund agencies to generate one-time money for recurring expenses
 - Gives agency directors the maximum flexibility possible to run their operations through lump sum budgets and other management tools
- Increases state support for General Fund agencies by \$282,075,487, or 5.9%, for a total state appropriation of \$5,040,011,365.
- Increases direct support for K-12 school districts by \$67.6 million, or 3.56%. This follows the plan to fully fund the Mississippi Adequate Education Program over the next four years. With this increase, direct support for school districts through MAEP will have increased \$278 million, or 16.4%, in the first three years of the Barbour Administration. In addition, the budget funds the increased employer contributions for school employees' health insurance and retirement.
- Provides extra support to school districts which are classified as "High-Growth Districts."

- Increases the general support budgets for the Institutions of Higher Learning and the University Medical Center by 10%, or \$46 million. At least 50% of this increase shall be for faculty pay raises. Increases the funding for the IHL Agriculture Units by \$2.2 million, or 3.56% (the same programmatic percentage increase as MAEP).
- Increases support for community colleges by 10%, or \$16 million. At least 50% of this increase shall be for faculty pay raises. An additional \$4 million is provided for workforce training and development.
- Gives state employees a much deserved pay raise, with every employee receiving a minimum of \$1200 or 75% of the salary realignment recommended by the State Personnel Board, whichever is greater. The total cost of this pay raise is approximately \$39 million.
- Funds the .55% retirement rate increase on all state agencies to increase the employers' contribution from 10.75% to 11.30%. The total cost to the taxpayers of this rate increase is \$18.9 million. With this increase, taxpayers will pay \$309 million in FY 07 for the retirement system of state employees.
- Funds the anticipated state employee health insurance premium increase from \$305/month to \$339/month. Since the State pays 100% of the premiums of current employees hired before January 1, 2006, the taxpayers pay 100% of this cost. The increased cost for FY 07 is \$34.8 million. With this increase, taxpayers will pay \$415 million in FY 07 for the health insurance of state employees.
- Meets the state's commitment to local governments by increasing the homestead exemption reimbursement to the statutory cap of \$83.3 million.
- Funds the new organizational structure of the Mississippi Emergency Management Agency.
- Provides increased support for state law enforcement by maintaining the Department of Public Safety's budget at FY 06 levels with federal grants paying for a new trooper school and a new fingerprint system.
- Meets our commitment to the men and women of the National Guard by increasing funding for education incentive programs by \$1 million.

- Meets the human service needs of our most vulnerable citizens by increasing funding for the Department of Human Services by \$4.3 million to hire more social workers and child support enforcement officers.
- Supports economic development by increasing funding for the Department of Environmental Quality to meet increased regulatory and permit demands caused by Hurricane Katrina.
- Maintains the state's commitment to pay our debts by increasing funding for debt service by \$22 million over the anticipated FY 06 levels to \$321 million.
- Provides what is essentially level funding for the programmatic activities of the rest of the agencies in state government.